



December 19, 2003

Former mortgage company owners are sentenced for check kiting scheme and tax fraud

A federal judge today sentenced former mortgage company operators **Michael Marzocchi**, and **Lorie Mercier** to federal prison for their roles in an elaborate corporate check kiting scheme that defrauded two banks out of \$1.37 million. Marzocchi was sentenced to 33 months and Mercier to 37 months.

The Office of the United States Attorney announced the sentences, which U.S. District Court Judge Mary M. Lisi imposed today in U.S. District Court, Providence. Judge Lisi also ordered Marzocchi and Mercier to make restitution totaling \$966,512 to Wachovia Bank (formerly First Union National Bank, of North Carolina), and to an insurer for Greenwood Credit Union, of Warwick.

Marzocchi, 47, of 52 Harbor Lake Circle, Safety Harbor, Florida, and Mercier, 46, of 21 Brightside Avenue, Warwick, pleaded guilty in September to conspiracy to commit bank fraud and conspiracy to defraud the Internal Revenue Service.

Check kiting

Assistant U.S. Attorney Andrew J. Reich said at the plea hearing in September that, had the case gone to trial, the government would have proven that Marzocchi and Mercier directed an extensive check-kiting scheme in which employees of their companies, **Diversified Mortgage Company**, of East Greenwich, and **Sunstate Mortgage Company**, of Daytona, Florida,

-more-

deposited worthless company checks into various company bank accounts. Marzocchi and Mercier then caused checks to be written against the accounts into which the deposits had been made, taking advantage of the artificially inflated account balances. Those checks, in turn, were deposited in different company accounts.

Marzocchi and Mercier admitted that they directed employees to make an intricate series of deposits over a six-month period, moving non-existent money among 19 company accounts at five banks, kiting checks for increasingly larger amounts as the scheme progressed. The scheme unraveled in October 2000, when Colonial Bank held up a deposit. As a result, checks totaling \$1,372,875 that had been deposited in accounts at Greenwood and First Union bounced. Greenwood Credit Union suffered a loss of \$308,073, and First Union National Bank lost \$1,064,802.

Withholding taxes

Marzocchi and Mercier also admitted that they defrauded the IRS by failing to completely report wages paid to company employees and failing to remit to the IRS appropriate amounts of employee withholding taxes, Social Security taxes and Medicare taxes. A review of the federal employment tax records of Diversified and Sunstate for 1999 and 2000 revealed that a total of \$522,318 in employment taxes were not reported or paid to the IRS.

Marzocchi and Mercier must report to prison on January 9.

The **Federal Bureau of Investigation** and the **Internal Revenue Service, Criminal Investigations** investigated the case. Assistant U.S. Attorney Reich prosecuted it.